

## Message Text

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FM SECSTATE WASHDC

TO USDEL SECRETARY IMMEDIATE

S E C R E T STATE 203725 TOSEC 100203

NODIS

E.O. 11652: GDS-3

TAGS: EGEN

SUBJECT: BUREAUCRATIC SITREP ON UNGA SS SPEECH

FOR SECRETARY FROM ENDERS

1. THIS IS WHERE WE ARE AS OF LATE TUESDAY EVENING ON THE FOUR KEY INTERAGENCY ISSUES: (A) DEVELOPMENT SECURITY; (B) BUDGETARY ISSUES (THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT AND INTERNATIONAL FINANCE CORPORATION); (C) CAPITAL MARKET ACCESS; AND (D) TIN.

2. DEVELOPMENT SECURITY

TREASURY TRIED TO UNDO OUR DEAL THIS AFTERNOON.

APPARENTLY YEO HAS BEEN UNDER A LOT OF CRITICISM WITHIN THE BUILDING FOR SELLING OUT TO ME. IN SPECIFIC, YEO WANTED TO BACK OFF OUR UNDERSTANDING THAT COUNTRIES COULD

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GO TO 100 PERCENT OF THEIR IMF QUOTAS (AN EARLIER CABLE

TODAY EXPLAINED THE MEANING OF 100 PERCENT OF QUOTAS).

AFTER A COUPLE HOURS BARGAINING, YEO HAS AGAIN COME AROUND, SUBJECT TO COMMENTING ON THE WAY WE PUT IT IN THE SPEECH. WE SUBSEQUENTLY GOT INTERAGENCY AGREEMENT TO THE PACKAGE IN THE APPROPRIATE FORUM.

### 3. BUDGETARY ISSUES

THERE ARE TWO: IFAD AND IFC REPLENISHMENT. SIMON SUPPORTS YOU STRONGLY ON THE LATTER, OPPOSES YOU ON THE FORMER. LYNN WANTS TO GO SLOW ON BOTH. I AM NEGOTIATING THE MEMORANDUM TO THE PRESIDENT TONIGHT AND WILL COMMUNICATE IT TO YOU THROUGH SCROWCROFT, ALONG WITH DRAFT HORMATS AND I HAVE DONE OF A POSSIBLE MESSAGE TO THE PRESIDENT FROM YOU SUPPORTING YOUR PROPOSALS.

### 4. LDC ACCESS TO CAPITAL MARKETS

I HAVE NOT REPEAT NOT BEEN ABLE TO PERSUADE TREASURY TO GO ALONG WITH AN INVESTMENT FUND IN WHICH THERE WOULD BE A SEPARATE U.S. CAPITAL CONTRIBUTION. TREASURY ARGUES: (A) THAT SUCH A CONTRIBUTION WOULD COMPETE WITH AND UNDERCUT OTHER CONTRIBUTIONS TO INTERNATIONAL FINANCE INSTITUTIONS; AND (B) THAT A U.S. CONTRIBUTION IS NOT NECESSARY TO LAUNCH THE INVESTMENT FUND, PROVIDED THE IFC FURNISHES SEED CAPITAL.

THE PROPOSALS I AM THUS PRESENTING TO YOU LATER TONIGHT FOCUS ON THE RIGHT STRUCTURE OF THE CAPITAL MARKET TO SERVE LDC'S, ALTHOUGH, THEY RETAIN THE INVESTMENT FUND PROPOSAL WITHOUT A SPECIFIC U.S. CAPITAL CONTRIBUTION.

THIS IS LESS STRIKING; IT IS CERTAINLY LESS GOOD THAN MY FIRST PROPOSAL FOR LDC CAPITAL GUARANTEES; IT NONETHELESS CAN MAKE A SUBSTANTIAL CONTRIBUTION TO LDC DEVELOPMENT, AND IT WILL CONTRIBUTE TO ACUTAL ECONOMIC CHANGE.

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### 5. TIN

I AM TRYING TO REACH A DEAL WITH TREASURY TONIGHT SO AS TO ISOLATE OMB, GSA AND COMMERCE (WHICH OPPOSE OUR ADHERENCE). DEAL WOULD HAVE US REITERATE STATEMENTS WE MADE IN THE TIN NEGOTIATIONS TO THE EFFECT THAT WE WOULD CONTINUE TIN DISPOSALS, BUT IN A MANNER CONSISTENT WITH THE AGREEMENT. WE WOULD ALSO INDICATE THAT WE ARE

JOINING THE AGREEMENT BECAUSE IT OPERATES PREDOMINANTLY  
WITHIN THE MARKET THROUGH A BUFFER STOCK, AND THIS  
IS THE WAY WE THINK WE SHOULD GO. I WILL TRY TO GET  
THESE STATEMENTS KEPT OUT OF YOUR SPEECH; THEY CAN BE  
MADE IN THE SPECIALIZED TIN FORUM ITSELF.

6. OTHER REMARKS

WE ARE IN DANGER OF GETTING A REACTION IF WE OVERSTRESS  
BUFFER STOCKS. TREASURY AND OMB HAVE BEEN WORKING FOR  
SEVERAL MONTHS TO GET A STAFF LEVEL CONSENSUS THAT  
BUFFER STOCKS ARE CLUMSY AND EXPENSIVE. IN ADDITION,  
THERE IS THE ANALYTICAL POINT THAT THEY DO NOT APPLY  
TO ALL COMMODITIES: COFFEE IS A NOTABLE EXAMPLE WHERE  
THE EMPHASIS SHOULD NOT BE ON STOCKS.

BECAUSE THIS CAUTION REFLECTS CONGRESSIONAL AND ACADEMIC  
UNCERTAINTY ON THE COSTS AND BENEFITS OF BUFFER STOCKS,  
WE HAVE NOT HINGED EVERYTHING IN THE COMMODITY SECTION  
ON SUCH STOCKS, DESPITE YOUR INSTRUCTIONS.

WE HAVE FLESHED OUT THE SECTION BY PROPOSALS ON  
LIBERALIZATION OF THE IMF FACILITY TO FINANCE BUFFER  
STOCKS. THE COST OF THIS IS NOT TO HAVE SUCH FINANCING  
IN THE IBRD (DESPITE MACNAMARA'S DESIRES) BUT THERE IS  
NO CLEAR CASE FOR HAVING TWO, POTENTIALLY COMPETING  
FACILITIES FOR FINANCING BUFFER STOCKS. THE RESULT  
MIGHT ONLY BE TO GIVE THE BARGAINING ADVANTAGE TO THE  
LDC'S WHICH AFTER ALL IS NOT THE PURPOSE OF THE  
EXERCISE.

7. PLEASE LET ME KNOW IF ABOVE POSITIONS AND RESULTS  
ARE NOT REPEAT NOT ACCEPTABLE TO YOU. I AM PREPARED  
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TO RECOMMEND THEIR ACCEPTANCE BECAUSE I BELIEVE WE HAVE  
GOTTEN EVERYTHING OBJECTIVELY TO BE OBTAINED AS OF NOW,  
AND BECAUSE WE HAVE LAID DOWN LINES OF DEVELOPMENT THAT  
CARRY US VERY FAR. BUT I NEED YOUR JUDGMENT WHETHER  
OVERALL PACKAGE HAS REQUIRED IMPACT AND RICHNESS. INGERSOLL

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